

Message Text

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PAGE 01 PORT M 00641 110210Z

16

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PASS EXIM BANK

E.O. 11652: NA

TAGS: BEXP, BPRO, PP

SUBJ: PNG MINISTER FOR TRANSPORT TO VISIT BOEING FOR POSSIBLE
PLANE PURCHASE

1. MINISTER FOR TRANSPORT IAMBAKEY OKUK WILL BE TRAVELING TO U.S. AT BOEING EXPENSE TO VISIT BOEING'S SEATTLE OFFICES REGARDING POSSIBLE PURCHASE OF UP TO THREE NEW BOEING AIRCRAFT FOR THE CREATION OF ITS INTERNATIONAL AIR FLEET. OKUK IS TRAVELING WITH EXECUTIVE SECRETARY MOSES MURRAY, PETER DONIGI (FORMERLY WITH DFRT AND LOCAL LAWYER), RALPH CONLEY, MANAGING DIRECTOR AIR NIUGINI, BARTHALAMEW PHILEMON, REGIONAL MANAGER AIR NIUGINI AT MT. HAGEN, AND U.S. BUSINESSMAN PAUL STOCKER, WHO IS BOEING REP FOR PNG.

2. OKUK IS INTERESTED IN FULL PACKAGE WHICH WOULD INCLUDE TECHNICAL TRAINING AND SERVICE FACILITIES FOR MAINTENANCE AND REPAIR OF AIRCRAFT IN PNG. DONIGI TOLD E/C OFFICER BOEING OFFERING SEVERAL ALTERNATIVE PLANS WHICH INCLUDES APPROACHING EXIM BANK FOR FINANCING AT LATER STAGE.

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PAGE 02 PORT M 00641 110210Z

3. IF OKUK PLEASED WITH BOEING OFFER, HE WILL PRESENT PACKAGE

TO CABINET FOR APPROVAL. DONIGI SAID CHIEF MINISTER SOMARE PERSONALLY INTERESTED IN PURCHASE AND SAID IN MEETING IN PORT MORESBY HE WANTED NEW BOEING ON GROUND BY INDEPENDENCE DAY, SEPTEMBER 16, 1975.

4. ACCORDING TO DONIGI, RALPH CONLEY IS NOT KEEN ON PURCHASE OF BOEINGS PARTLY DUE TO COST, BUT ALSO POSSIBLY BECAUSE HE WOULD LIKE TO SEE AIR NIUGINI REMAIN SECOND-CLASS INTERNATIONAL AIR CARRIER IN ORDER FOR AUSTRALIAN CARRIERS TO CONTINUE IN THEIR PRESENT PREEMINENT POSITION. COMMENT: CONLEY IS REPORTED LEAVING AIR NIUGINI BEFORE END OF YEAR AND EXPECTED TO RETURN TO ONE OF AUSTRALIAN AIRLINES. HE HAS PUBLICALLY STATED HE WANTS TO SEE AIR NIUGINI CONTINUE TO BE ONE OF FEW NATIONAL AIRLINES OPERATING IN BLACK AND, CONSEQUENTLY, IS RESISTING EXPENSIVE ADDITIONS TO AIR NIUGINI FLEET AT THIS TIME UNTIL BETTER ABLE TO SEE IF INTERNATIONAL TRAFFIC WARRANTS CONSIDERABLE INVESTMENT REQUIRED. HIS ALTERNATIVE PLAN IS TO RENT AIRCRAFT PROBABLY FROM QANTAS FOR ONE OR TWO YEARS WITH POSSIBLE OPTION TO BUY USED AIRCRAFT ONLY LATER. END COMMENT.

5. PARTY LEAVING SYDNEY JULY 15 AND WILL ARRIVE SEATTLE FOLLOWING DAY. TENTATIVE PLANS INCLUDE OKUK AND STARKER, POSSIBLY CONLEY AS WELL, FLYING ON TO WASHINGTON FOR DISCUSSIONS WITH EXIM OFFICIALS RE FINANCING.

6. COMMENT: PAUL STARKER HAS BEEN ACTIVE IN PNG FOR NUMBER OF YEARS AND IS WELL KNOWN TO SOMARE. HE HAS BEEN WORKING ON THIS DEAL FOR SIX MONTHS AND, DESPITE CONLEY OBJECTIONS, HAS BEEN ABLE TO GET IT TO TALKING STAGE AT LEAST. WITH AIR NIUGINI IN PROFITABLE POSITION, POLITICIANS LIKE SOMARE WILL FIND IT DIFFICULT TO RESIST TEMPTATION TO EXPAND NATIONAL AIRLINE OPERATIONS INTO INTERNATIONAL ARENA DESPITE DICEY OUTCOME. FLIGHTS BETWEEN PNG AND AUSTRALIA ARE ALWAYS HEAVILY BOOKED AND VERY PROFITABLE; THUS EVEN IF OTHER DESTINATIONS SUCH AS MANILA AND HONIARA ARE LESS ATTRACTIVE FINANCIALLY, THEY COULD PROBABLY BE SUPPORTED BY AUSTRALIAN RUNS. MORE IMPORTANTLY, HOWEVER, IS THE QUESTION OF NATIONAL PRESTIGE AND AIRLINE EXPANSION WOULD BE REAL FEATHER FOR SOMARE GOVERNMENT AMONG NATIONALISTIC PAPUA NEW GUINEANS.

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PAGE 03 PORT M 00641 110210Z

7. AS FOR U.S. INTERESTS, WE BELIEVE THIS WOULD BE FIRST MAJOR SALE OF NEW U.S. AIRCRAFT TO PNG. THIS COULD LEAD TO SIGNIFICANT OTHER AIRCRAFT SALES FOR DOMESTIC AS WELL AS INTERNATIONAL SERVICE AS AN EXPANSION OF PNG AIR SERVICES SEEMS INEVITABLE.

8. IF EXIM NEEDS INFORMATION ABOUT PNG ECONOMY TO MAKE DECISION ON LOAN, PLEASE ADVISE. WE BELIEVE LOAN ON FAVORABLE

TERMS WOULD BE IN INTERESTS OF BOTH U.S. AND PNG.
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